

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2015/2016

**BBF3104 - OFFSHORE BANKING AND FINANCE**  
( All sections / Groups )

9 MARCH 2016  
9.00 a.m - 11.00 a.m  
( 2 Hours )

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### INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 5 Questions only.
2. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

**QUESTION 1**

Research shows that about 80% of the Standard and Poor 500 (S&P 500) companies own one or more captive insurance companies. Offshore captive insurance is the main source of insurance for both large and small companies. A captive insurance company transforms self-insurance into a distinct corporate entity and thus permits tax deduction of premiums.

- A. What is captive insurance?

(5 marks)

- B. In addition to the tax benefits described above, there are several additional convincing reasons why captive offshore insuring vehicle should be considered. Elaborate by providing four (4) other reasons.

(20 marks)

(Total: 25 marks)

**QUESTION 2**

Offshore bank accounts are accounts at banks located outside the country of residence of the banking clients, mostly in infamous and popular offshore banking centres in the global market such the Cayman Islands and Switzerland. Other destinations for offshore banking include Bermuda, British Virgin Islands, Cyprus and Labuan.

- A. Do you agree that offshore bank accounts are used as money laundering vehicles?

(10 marks)

- B. Explain how money laundering works with examples.

(15 marks)

(Total: 25 marks)

**Continued...**

**QUESTION 3**

Hedge fund titan George Soros reportedly amassed US\$13.3 billion in deferred hedge fund fees and investment gains on those fees by moving his assets to Ireland and then to the Cayman Islands. Hedge funds love to set up shop offshore. And it's not because of the weather. Setting up a fund offshore has many advantages and is not as hard as you may think, says a hedge fund manager. And it has set-backs also.

Discuss five (5) pros and five (5) cons of offshore investing.

(Total: 25 marks)

**QUESTION 4**

Explain briefly the following:

- A. Tax haven (5 marks)
- B. Tax avoidance (5 marks)
- C. The role of the Financial Action Task Force towards offshore financial centre (12 marks)
- D. Withholding tax (3 marks)

(Total: 25 marks)

**QUESTION 5**

In offshore financial centres, there's a wide variety of options and no "one size fits all" solution. Some people, for example, need a bank that specializes in asset protection. Others require transaction-intensive business accounts. Others may need a very low minimum deposit, while other higher net worth individuals may be looking for safe private banking options.

Discuss five (5) reasons why they use an offshore bank account.

(Total: 25 marks)

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